

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7863

BILL NUMBER: SB 639

NOTE PREPARED: Jan 14, 2005

BILL AMENDED:

SUBJECT: Interest on Delinquent Child Support.

FIRST AUTHOR: Sen. Hume

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill requires a court to order interest charges on all delinquent child support payments that are at least the equivalent of 2% above the prevailing prime bank lending rate on the date a child support order is issued. The bill provides that the interest charges apply to all delinquent child support as of July 1, 2005.

Effective Date: July 1, 2005.

Explanation of State Expenditures:

Explanation of State Revenues: This bill would require a court to order interest charged on all delinquent child support payments. Interest would be equal to at least the equivalent of 2% above the prevailing prime bank lending rate on the date a child support order is issued. This bill would increase revenue to the state in the instance that arrearage is owed to the state, however, actual increases are unknown.

The Family and Social Services Administration (FSSA) reports that interest collected by the child support program would be considered program income money. The federal government receives 66% of funds collected, the remaining 34% would go to the state.

Under current law, a court may order interest charges equal to 1.5% per month to be paid on any delinquent child support payment. FSSA reports that this currently does not occur.

Background Information: The prime bank lending rate was 5.25% as of January 11, 2005. FSSA reports that

as of September 2004, the state was owed approximately \$289 M in child support arrearage.

Explanation of Local Expenditures:

Explanation of Local Revenues: See *Explanation of State Revenues*.

State Agencies Affected:

Local Agencies Affected:

Information Sources: Daphne Risch, FSSA; <http://www.federalreserve.gov/releases/h15/update/>; William Bogard, FSSA, 232-7088.

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